

VZCZCXRO2001
PP RUEHDBU
DE RUEHNT #1661/01 2621016
ZNY CCCCC ZZH
P 191016Z SEP 07
FM AMEMBASSY TASHKENT

TO RUEHC/SECSTATE WASHDC PRIORITY 8481
INFO RUEHAAH/AMEMBASSY ASHGABAT 3266
RUEHTA/AMEMBASSY ASTANA 9449
RUEHEK/AMEMBASSY BISHKEK 3880
RUEHDBU/AMEMBASSY DUSHANBE 3745
RHEHNSC/NSC WASHINGTON DC
RUEKJCS/SECDEF WASHINGTON DC
RHEFDIA/DIA WASHDC
RUEAIIA/CIA WASHDC

C O N F I D E N T I A L SECTION 01 OF 04 TASHKENT 001661

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DEPT FOR SCA/CEN AND DRL

E.O. 12958: DECL: 09/19/2017

TAGS: PGOV PHUM ECON SOCI UZ

SUBJECT: HIGH PRICES, RATIONING OF STAPLES IN THE FERGHANA VALLEY

REF: TASHKENT 1596

Classified By: RICHARD FITZMAURICE AND STEVEN PROHASKA FOR REASONS 1.4 (B, D)

¶1. (C) Summary: On September 12-13, poloffs visited the Ferghana Valley provinces of Namangan and Ferghana. Whether meeting with human rights contacts or sellers at the bazaar, the main topic of conversation was invariably peoples' frustration at price hikes for basic staples, especially for flour and cooking oil. An independent website and human rights contacts also reported rationing of flour and cottonseed oil in the Ferghana Valley and Kashkadarya province. In addition, poloffs confirmed with local officials that a protest occurred in the Oltiaryq region of Ferghana province on September 3. Human rights activists also reported increasing rates of labor migration due to worsening economic conditions. Though the situation appears calm for the moment, discontent remains widespread, and we believe more disturbances are possible if prices continue to rise, especially in light of the announced December 23 presidential elections. End summary.

HIGH PRICES AND LOW SUPPLIES OF FLOUR AND COOKING OIL

¶2. (C) In Namangan and Ferghana provinces, human rights contacts and sellers at bazaars complained to poloffs about high prices for staple goods. In Namangan, poloff met with four human rights activists: former Radio Free Europe journalist and human rights activist Nosir Zokirov, International Society for Human Rights representative Zohidjon Zokirov, Ezgulik representative Arabboy Qodirov and Human Rights Society of Uzbekistan representative Golumjon Samatov (protect all). The activists explained that while they have not conducted a comprehensive price survey themselves, they all have been repeatedly approached by ordinary citizens bemoaning price increases, especially for flour and cooking oil.

¶3. (C) Nosir Zokirov noted that while President Karimov decreed a 25 percent increase for most salaries and pensions in early August, prices for food staples have more than doubled since that time. He said that the price for a 50 kilogram bag of Kazakh wheat in Namangan has more than doubled from 25,000 soums (20 dollars) to 57,000 soums (45 dollars) and that the price for a liter of vegetable oil has almost tripled from 1,100 soums (.86 dollars) to 3,000 soums (2.36 dollars). Zohidjon Zokirov told poloff that the price

of bread in Namangan province has recently doubled from 150 soums (.12 dollars) to 300 soums (.24 dollars). Arabboy Qodirov also reported that Uzbek flour and cottonseed oil, which are considered of lower quality than imported goods, but are usually cheaper, are not possible to find at Namangan bazaars and are currently rationed by local authorities.

¶4. (C) In Ferghana City, human rights activists Abdusalom Ergashev and Akmadjon Madmarov told poloff that authorities are trying to force bazaar vendors to sell meat for 3,800 soum (3 dollars) a kilogram, but sellers reportedly have refused because they would not be able to break even at that price due to the high cost of animal feed, which now sells for approximately 200 soum (.16 dollars) per kilogram. Madmarov also reported a rumor that authorities have been purchasing meat in the regions to ship to Tashkent to keep prices lower in the capital. Poloff heard the same rumor in August from Adolat Nasirova (strictly protect), an ex-deputy hokim from the Uch-Tepe region of Tashkent.

¶5. (C) Poloffs visited several bazaars in Namangan and Ferghana provinces. In Namangan, poloff spoke with several local bazaar sellers who complained about difficult economic conditions and noted widespread dissatisfaction with higher prices. Initially most were reluctant to discuss economic conditions, with one seller suspiciously asking if Poloff was wearing a microphone and stating that if the National Security Service asked any questions, they only had discussed candy and beer. He complained that the economy was in decline and the government had imposed tariffs of up to 200% on imported goods, with the highest fees on goods imported from Uzbekistan's neighbors. Poloff had difficulty finding cooking oil in Rishton (Ferghana province) and had to ask

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several people before finally locating a bazaar stand selling a single bottle of vegetable oil for 2,800 soum (2.20 dollars). Prices for meat in Rishton averaged 4,600 soum (3.60 dollars) a kilogram. At a bazaar in Oltiaryq (Ferghana province), poloffs had difficulty locating either flour or cooking oil. Poloffs talked to a local storekeeper, who was selling 50 kilogram bags of Kazakh flour for 50,000 soum (40 dollars), which he said had recently doubled in price. The storekeeper did not know where it was possible in Oltiaryq to find either Uzbek flour or cooking oil.

RATIONING REPORTED IN FERGHANA VALLEY AND KASHKADARYA

¶6. (U) On September 11, the independent Uznews.net website reported the introduction of coupons for flour and cottonseed oil purchases in Andijon province. Using the coupons, individuals are allowed to buy Uzbek flour at 600 soums (.47 dollars) a kilogram and cottonseed oil for 1,200 soums (.95 dollars). However, Andijon residents are limited to purchasing only 300 grams of cottonseed oil per month. According to the article, some older residents of Andijon remarked that they received rations of butter three times larger in the Soviet Gulag. The same article notes that while the price of bread in Andijon has almost doubled since late August, the actual size of loaves has decreased. (Note: A comment also heard in Tashkent. End note.)

¶7. (C) In Namangan, Nosir Zokirov reported that local authorities are rationing flour and cottonseed oil. According to Zokirov, families have been allowed to purchase 10 kilograms of Uzbek flour at 420 soum per kilogram (.33 dollars) and one liter of cottonseed oil for 1,800 soum (1.42 dollars). Families must sign for their purchases, and they are not allowed to buy again for 20 to 30 days.

¶8. (C) Abdusalom Ergashev told poloff that his human rights contacts in Kashkadarya province have reported the introduction of ration cards for cottonseed oil. According to the contacts, families in Kashkadarya are allowed to purchase up to five liters of cottonseed oil a month at the

government-controlled price of 1,400 a liter (1.10 dollars). Akmadjon Madmarov, a resident of Margilan, also reported that during President Karimov's visit to the city on September 5 to celebrate its 2000 year anniversary, only residents who lived near where the festivities were being held could purchase cottonseed oil. Madmarov said that authorities had a list of these residents, who could purchase a liter of cottonseed oil each for 1,200 soum (.94 dollars). He added that before September 5, cottonseed oil sold for 2,400 soum (1.90 dollars) a liter, but the price increased to 3,600 soum (2.80 dollars) after the festivities were over.

PROTESTS IN NAMANGAN AND FERGHANA PROVINCES

¶9. (C) Nosir Zokirov rebutted press reports on independent websites that large protests occurred in Namangan province in September. He noted though that a store in Namangan was burned down in August by individuals upset by rising prices. Zokirov also heard reports of smaller incidents, often involving groups of people fighting over rations of flour and cooking oil. All four Namangan interlocutors reported that price hikes were a popular topic of conversation at local chai hannahs (tea houses), with peoples' anger mostly directed towards local bureaucrats. Golumjon Samatov told poloff that to quell potential unrest in the Pap region of Namangan province, authorities have started to arrest sellers accused of cheating customers.

¶10. (C) Several contacts told poloff again that a protest occurred in the Oltiaryq region of Ferghana province on September 3 (ref A). Abdusalom Ergashev told poloff that between 75 and 100 people marched from Yangi-arab village to the Oltiaryq hokimiyat (city hall). After being met there by local officials, approximately ten of the protesters were invited to air their grievances with provincial-level officials in Ferghana City. Journalist and human rights activist Bakhodir Elibaev, who is based in Rishton, a town near Oltiaryq, told poloff that when the protestors reached the Oltiaryq hokimiyat, they began to throw rocks and broke several windows.

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LOCAL OFFICIALS MEET WITH POLOFFS

¶11. (C) Local officials gave poloffs a warm welcome during their impromptu visit to the Oltiaryq hokimiyat, and confirmed that a protest occurred on September 3. The hokimiyat's trade representative said that the protest was composed of about ten young "hooligans." In a separate conversation, however, a deputy hokim (mayor) approximated the number of "hooligans" at 25. The deputy also confirmed that the hokim went out to speak to the protesters and promised to investigate their complaints regarding high prices for basic staples. When asked about whether protesters had hurled stones through windows, the official gestured toward old-looking front windows of the building, and commented that they had been there for a long time. The deputy hokim also shared details about the cotton harvest and the structure and operation of the hokimiyat with poloffs and repeatedly welcomed them to visit again.

FERGHANA QUIET... FOR NOW

¶12. (C) Poloff noticed a significant police presence while walking around the crowded but peaceful center of Ferghana City. Poloff interviewed about a dozen merchants, passers-by, and MVD officers about whether disturbances had taken place there lately. None would acknowledge any recent instances of this. Many of them did, however, confirm that the prices of many goods at the market had risen recently. During a meeting with a member of Ferghana's Unicons consulting firm (septel), one member acknowledged widespread

dissatisfaction with economic conditions.

¶13. (C) Despite the current appearance of calm, Abdusalom Ergashev described the economic situation in the Ferghana Valley as a "ticking time bomb," and told poloff that further demonstrations and even violence were possible. Ergashev believed that the rise in prices and scarcity of staples is partly the result of panic among ordinary citizens. He said that Uzbek citizens still remember shortages from the Soviet era and tend to hoard items as soon as they appear to be in short supply. Ergashev also believed that the last wheat and cotton harvests were overstated on paper, and that current scarcities reveal that the actual harvest totals were much lower than reported by local officials. (Comment: Ergashev has used the "ticking time bomb" metaphor for years. While his information has usually proved factually accurate, no one can say with certainty if or when local conditions might reach a breaking point. End comment.)

LABOR MIGRATION CONTINUING

¶14. (C) Several human rights contacts in the Ferghana Valley reported that labor migration rates continue to increase. In Namangan, Zokirov told poloff that as economic conditions worsen, greater numbers of Uzbeks, especially from rural villages, are seeking work abroad. In Ferghana City, Abdusalom Ergashev said that as more men leave Uzbekistan, greater numbers of women are forced to seek work as domestic servants at "mardikor" markets, informal labor markets traditionally for unemployed men, to support their families.

¶15. (C) While in Rishton, the older brother of Bakhodir Elibaev told poloff about his experience working abroad in Omsk, Russia, where he has worked in construction for the last several years. The brother said that he travels to Omsk for four to six months at a time, and returns to Rishton for less than a month between trips. He travels to Omsk via Kazakhstan on buses with other Uzbek laborers, and he noted that several buses from his area leave each day for various destinations in Russia and Kazakhstan. The brother told poloff that many men in Rishton, including most of his friends, traveled abroad to work. Bakhodir Elibaev also took poloffs to a mardikor market in Rishton. Within a few seconds of arriving, poloffs were surrounded by approximately 15 men eager to talk with them. Though the men said that it was not difficult to find work in Rishton, poloffs could not help but notice the men were all muddling around in the

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afternoon with nothing to do. Several of the men also reported having worked before in Kazakhstan and Russia.

¶16. (C) Defense Attaché and others have heard similarly in recent trips to the Ferghana Valley and in Tashkent of large scale labor migration. Numbers have grown steadily since 2002, and it now seems the majority of Uzbek families have someone working abroad. For the first half of 2007, the Government says \$500 million was remitted through official channels alone. Contacts in the business community estimate that at least as much is carried home "unofficially" by Uzbek laborers.

COMMENT

¶17. (C) For now at least, the situation appears calm in the cities of the Ferghana Valley that Poloffs visited, but discontent over rising prices generally remains widespread. The heavy security presence in places such as the center of Ferghana City probably helps the government to deter potential unrest, as does continued remittances from abroad. Nevertheless, high prices and other economic grievances could very well lead to further disturbances in the future.

¶18. (C) Local authorities appear to have been clearly aware of Poloffs' visit, judging from multiple instances of probable surveillance and the fact that a hokimyat official met Poloffs before they reached the steps to the building. Poloffs did not encounter harassment or hostility from Ferghana Valley authorities as Embassy staff in recent months and years have faced, however, and received a surprisingly warm welcome from the Oltiaryq hokimyat. The deputy hokim's repeated encouragement to poloffs to visit again suggests that some regional authorities may be open to meetings with Embassy staff.

¶19. (C) On a more sour note, First Deputy Foreign Minister Nematov minced no words in his first meeting with Ambassador Norland, reading from detailed files of poloffs' visit and pulling a dossier on the recently arrived pol-econ chief, who served in Uzbekistan previously and covered human rights. While we are not ready to draw conclusions, the Ambassador's first meeting promises to make for an interesting few months.

NORLAND